



Jeremy Thiesfeldt

STATE REPRESENTATIVE • 52nd ASSEMBLY DISTRICT

Testimony – Assembly Bill 466

Honorable Chairwoman Kerkman, members of the committee.

I am here today to urge your support for Assembly Bill 466. The purpose of this bill is simple: to create a new Wisconsin individual income tax deduction, up to \$2,000, when deposited into a Coverdell Education Savings Account (CESA).

In a fall survey that I offered my district constituents 66% stated yes to this question: Do you support increasing state tax deductions to encourage saving for educational purposes? There were 537 respondents. This is a highly popular and needed change.

As you are aware Wisconsin currently allows a deduction for Edvest College Savings account contributions. Edvest only covers post-secondary expenses. A CESA also allows certain educational expenses to be deducted for K-12 and post-secondary expenses. CESA's grow tax free much like an Edvest account. Both accounts do not allow for a federal tax deduction. Wisconsin allows for a \$3000 tax deduction per year per person for contributions to an Edvest account. This bill will allow a state income tax deduction for contributions to a CESA as we also allow the deduction for Edvest. The main difference though is that money invested in a CESA can also be used for K-12 expenses in addition to the college expenses.

This bill is needed to help those parents who are paying for their K-12 student's tuition at a private or parochial school. Incentives such as CESA and Edvest have been very important in helping parents and students save for college. We see so many people coming out of college with large accumulated debts. Allowing a state tax deduction for a CESA for those families choosing not to use the public school system, will allow those same families to be less likely to incur school-related debts even prior to college years beginning.

There are two areas of savings that will result from this bill. An average family may save a couple of hundred dollars on their tax return. The legislative fiscal bureau estimates a revenue decrease of just under \$1 million dollars cumulatively for the state. Secondly, since Wisconsin invests in our public K-12 schools based on student enrollment, if the classrooms of tuition-based schools were full, the state would be responsible for the cost of educating fewer students. This would create savings in state aid payments and create less need for public school building projects, by maximizing the classroom space in our communities.

Currently, the maximum allowable contribution to a CESA is \$2,000 each year per beneficiary, although that contribution amount phases down as a contributor's modified adjusted gross income (MAGI) increases from \$95,000 to \$110,000, or from \$190,000 to \$220,000 for a married couple filing jointly. No contributions are allowed once a contributor's MAGI is above the phase-out range.

In summary, the point of this bill is to help families with education costs by merely mirroring the Edvest program for K-12.

Serving the City of Fond du Lac and the Communities of North Fond du Lac, Eldorado, Taycheedah and Friendship

Date: February 9, 2012

**To: Members
Assembly Ways and Means Committee**

**RE: AB466; income tax deduction for contributions to a Coverdell
Education Savings Account**

Position: Support

The **Wisconsin Council of Religious and Independent Schools (WCRIS)** supports efforts to create an individual income tax deduction for contributions to a Coverdell Education Savings Account.

Federal Coverdell Accounts encourage parents to save for their child's K-12 education by allowing the earnings from investments to generate tax free. AB466 builds upon this incentive by providing a maximum \$2,000 per student tax deduction for education expenses such as books, fees and other supplies.

Assembly Bill 466 targets lower and middle income families. Eligibility for the tax incentives is limited to individuals making less than \$110,000 or married couples making under \$220,000. The maximum tax cut a family could receive under AB466 is \$135 per student.

Private schools are experiencing a period of declining enrollments. Economic pressure, charter schools, and an increasing Open Enrollment program have contributed to the problem. AB466 provides an important financial tool for parents considering a private education for their children.

Thank you for your consideration. Please feel free to contact me if you have any questions or concerns.

**Matt Kussow
Executive Director
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Testimony in Support of Assembly Bill 466
Assembly Ways and Means Committee
Julaine K. Appling, WFA President
February 9, 2012

Thank you, Chairman Kerkman and committee members, for the opportunity to testify today in support of Assembly Bill 466. I am Julaine Appling, president of Wisconsin Family Action, an organization that represents tens of thousands of individuals and families around the state. One of the issues we are involved with is helping parents make educational choices in the best interest of their children. This bill falls within that prevue.

Rep. Thiesfeldt and Sen. Grothman have crafted a bill that gives parents some incentive to set aside money to pay for K-12 education for their children, including private school tuition and fees. While the tax deduction given to parents is modest, even if you consider the maximum deduction available, it is not just the amount of money that is important. It is also the perception that the state is recognizing the right of parents to make educational choices that they believe are in the best interest of their children. Providing a mechanism for them to get a tax deduction based on the amount of money they invest in a Coverdell account is a step in the right direction.

For parents living in areas of the stat where there is no school choice program such as Milwaukee has and Racine is approved for, private education can be very expensive. Yes, it is a parent's option not to send his/her children to the public schools. Providing a Coverdell program with a commensurate tax deduction helps to defray some of the costs of making a choice that they believe is in their child's best interest.

Wisconsin Family Action sees this bill as a very good first-step in recognizing that parents have the right and responsibility to make the critical decision about where their children will be educated and that giving them a modest financial incentive to pay for those choices is ultimately in the state's best interest because the better educated our young people are, the brighter our future is.

We urge you to support this bill and to recommend it for the full Assembly. Thank you for your time and attention on this matter.



WISCONSIN CATHOLIC CONFERENCE

TO: Representative Samantha Kerkman, Chair
Members, Assembly Committee on Ways and Means

FROM: Kim Wadas, Associate Director, Education and Health Care

A handwritten signature in black ink, appearing to read "Kim Wadas", is written over the "FROM:" line.

DATE: February 9, 2012

RE: Assembly Bill 466, Deduction for Coverdell Education Savings Account Contributions

The Wisconsin Catholic Conference urges your support for Assembly Bill 466. AB 466 allows individuals to claim an income tax deduction for amounts contributed to a Coverdell Education Savings Account (CESA). By encouraging more investment in the educational needs of students, AB 466 empowers families to obtain high quality instruction, ensuring that Wisconsin's children are better able to meet the challenges of an increasingly competitive marketplace.

Distributions from a CESA may be used for the qualified education expenses of a beneficiary up until the age of 30. (The CESA must be established before a beneficiary reaches age 18 or be for a special needs beneficiary). Most individuals can annually contribute up to two thousand dollars to a CESA, and while those contributions are taxable under current federal and state law, the accounts may grow tax free. Distributions can be used for expenses incurred at an eligible education institution, be it public or private, and can be used for all levels of education, including post-secondary education.

AB 466 allows individuals to claim a personal income tax deduction in Wisconsin for the contributions made to a CESA. Under AB 466, families of modest incomes can lessen their tax burden and alleviate some of the fiscal barriers that may prevent a student from furthering his or her education.

Parents are the primary educators of their children, but society must support parents in this role. By encouraging the use of CESAs here in Wisconsin, AB 466 will help families to meet their children's educational needs. Also, this bill continues to recognize the common contribution made by all educational institutions, public or private.

Wisconsin has always been on the forefront of education, recognizing the need to grow and expand quality educational opportunities for our children. By fostering investment in quality education through this income tax deduction, Wisconsin can continue the proud tradition of ensuring that superior educational opportunities are available to all.

The WCC urges your support for AB 466.